

The State of Delaware

Employer-sponsored Clinic RFI/RFQ Results

June 26, 2017

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Today's discussion

- Background
- RFI/RFQ process
- Summary of vendor responses to the RFI/RFQ
- Considerations for the State
- Appendix

Background

- Interest in employer-sponsored clinics for the State of Delaware (“the State”) surfaced in late 2015 as a result of the Health Plan Task Force
 - At the time, onsite clinics were presented as a way for the State to expand access to primary care while more closely managing the health of its population
- Due to numerous initiatives in play simultaneously with the Statewide Benefits Office (“SBO”), further evaluation of the feasibility of employer-sponsored clinics was paused until the spring of 2017
 - Other initiatives included several Requests for Proposals (“RFPs”) for a new consultant to the State Employee Benefits Committee (“SEBC”) and a Medical Third Party Administrator (“TPA”), and support for the development of a Strategic Framework for the Group Health Insurance Program (“GHIP”)
- The State engaged Willis Towers Watson (“WTW”) to support a Request for Information and Qualifications (“RFI/RFQ”) of interested vendors about the feasibility for statewide employer-sponsored (on-site or near site) clinics, with two primary goals:
 - Provide the SEBC with an understanding of the employer-sponsored clinic marketplace
 - Determine whether the State should continue exploring employer-sponsored health care
 - Immediate next step from that determination would be for the State to issue a formal RFP for a vendor partner

RFI/RFQ process

- A kick-off call with the SBO and WTW was conducted on February 21, 2017
 - This discussion allowed WTW to gather sufficient information to draft the RFI/RFQ, with input from the SBO on the following parameters:
 - Eligibility
 - Scope of services
 - Location and hours of operation
 - Member cost sharing
 - Staffing model
- The RFI/RFQ was released on Monday, April 3 with responses due Monday, April 24
- The SBO requested that WTW proactively reach out to employer-sponsored clinic vendors on an industry-wide basis with an invitation to respond to the RFI/RFQ
 - WTW reached out to 22 vendors with whom we have familiarity within the marketplace
- Eleven vendors responded to the RFI/RFQ:
 - Activate Healthcare
 - CareATC
 - CareHere
 - Cerner
 - HealthStat
 - Marathon Health
 - OurHealth
 - Paladina Health
 - Premise Health
 - QuadMed
 - Vera Whole Health

Vendor responses to the RFI/RFQ

Components to offering employer-sponsored healthcare

- Vendors addressed their capabilities for providing the following components of employer-sponsored healthcare within the RFI/RFQ
- Items in ***bold italics*** are discussed in more detail on the following pages
 - Minimum qualifications and contractual requirements outlined by the SBO
 - Scope of services
 - ***Hours of operation***
 - ***Location***
 - Patient cost sharing and engagement
 - Patient experience
 - Patient education
 - Health center staffing
 - Clinical quality assurance
 - Health center technology
 - Integration with the State's existing health care vendors
 - Reporting
 - Outcomes
 - ***Implementation and build-out considerations***
 - ***Start-up and ongoing operating costs***
 - ***Potential savings and ROI***
 - Performance guarantees

Health center location and hours of operation

- Vendors were asked to comment on where they would recommend locating an employer-sponsored health center for the State
- Several vendors proposed specific locations:

Vendor	Response
HealthStat	<ul style="list-style-type: none"> ▪ Worked with a local Realtor and can provide seven (7) suggested locations in the Dover area ▪ Several are very close to Bayhealth Medical Center (would allow for ER and specialist referrals) ▪ Several were previously medical centers which would minimize buildout costs ▪ All are easily accessible from major roadways in the Kent County area
OurHealth	<ul style="list-style-type: none"> ▪ Recommended establishing a <i>MyClinic</i> network in Delaware, and would plan four clinics spread between the Wilmington/New Castle, Dover, and Georgetown areas ▪ OurHealth's network strategy would be funded by OurHealth, leaving no build-out costs for the State of Delaware (notably, one of the most expensive vendors in proposed operating costs excluding build-out costs)
Premise Health	<ul style="list-style-type: none"> ▪ Recommended a location central to the State's largest employee base in the Wilmington, DE area
QuadMed	<ul style="list-style-type: none"> ▪ Two areas identified for the first center: <ul style="list-style-type: none"> ▪ Legislative Hall with ~ 6,700 employees concentrated within a 5-mile radius ▪ Area around Churchman's Center with ~ 14K employees within a 10-mile radius. The only downside here is that the working population appears to be more distributed than the Legislative Hall area with 4.5K within a 5-mile radius ▪ To make a formal recommendation, QuadMed would want to have a more extended conversation around the needs of some of the areas where State employees work
Vera Whole Health	<ul style="list-style-type: none"> ▪ Recommend that the State consider locating a clinic in one or more cities in New Castle County (New Castle, Wilmington, Newark, Middletown), Kent County (Dover, Smyrna), and Sussex County (Georgetown).

- Remaining vendors declined to propose a location, citing the need for additional data and/or dialogue with the State about the needs of the population, availability of potential clinic locations, and the State's goals for the clinic
- Vendors were also asked to comment on the proposed hours of operation; most suggested 40-50 hours per week, with a mix of early morning and evening hours plus several hours on weekends

Implementation and build-out considerations

- Vendors were asked to comment on the average timeframe of a health center implementation
 - Overall range was 12-30 weeks¹
 - Variables that most affect the timeline include:
 - Contract review timeframe (and some vendors' unwillingness to commence implementation until the contract has been executed)
 - Requirements of clinic build-out process
- All vendors indicated their willingness to work with an architect of the State's choosing for design of the clinic space and build-out
- Vendors' responses to the level of support they could provide during the build-out process varied, but generally were one of the following:
 - Client (the State) would be responsible for procuring and maintaining clinic space, including working with an architect and general contractor
 - Vendor would partner with the client to procure and maintain clinic space
 - Vendor would be responsible for procuring and maintaining clinic space

¹Note: Lower end of the timeframe does not account for health center build-out.

Start-up and ongoing operating costs

Health Center - Year 1	Staffing outlined in RFI/RFQ		Vendor-proposed staffing	
	Vendor w/ Lowest Fee: Grand Total Year 1 ²	Vendor w/ Highest Fee: Grand Total Year 1	Vendor w/ Lowest Fee: Grand Total Year 1 ²	Vendor w/ Highest Fee: Grand Total Year 1
Start-up costs (excluding build-out)	\$78,000	\$402,000	\$263,000	\$0
Ongoing fees	\$595,000	\$1,055,000	\$996,000	\$6,146,000
Total Operating Expenses	\$673,000	\$1,457,000	\$1,259,000	\$6,146,000
Management fee	\$503,000	\$1,044,000	\$183,000	\$1,037,000
Grand Total: Year 1	\$1,176,000	\$2,501,000	\$1,442,000	\$7,183,000
Grand Total: Years 1-3¹	\$4,256,000	\$7,552,000	\$4,574,000	\$22,381,000

- Several significant factors affect the range of start-up costs: staffing model (employment of medical doctors vs. nurse practitioners and/or physician assistants), IT infrastructure and equipment costs
- Ongoing operational expenses are based on one of two types of pricing models:
 - Capitated model:** fixed administrative cost per-employee-per-month (PEPM) including all operating expenses (staffing, equipment, supplies, IT, etc.) plus corporate oversight and profit margin rolled up into one fee
 - Cost-plus model:** all operating expenses are charged as pass-through costs with no mark-up, plus a separate management fee that includes vendor's charges for corporate oversight and profit margin
- All vendors charge an additional fee for operating the health center, which includes general and administrative expenses and a management fee
 - This fee is usually calculated as either a flat fee (either aggregate or per-employee-per-month) or as a percent of health center staffing cost

¹Reflects the total 3-year fees quoted by the same vendor with either the lowest or highest total fee quoted for Year 1.

²One vendor submitted a quote that was lower than the fees noted above; however, the vendor deemed their estimate to be confidential and proprietary.

Actual range of 3-year fees for vendors that did not deem their quotes to be confidential and proprietary: Staffing outlined in RFI/RFQ – \$4,256,000 - \$7,569,000. Vendor-proposed staffing – \$4,574,000 - \$22,381,000.

Potential savings and ROI

- There are several types of savings associated with employer-sponsored health centers

Direct Costs Avoided	<ul style="list-style-type: none"> Savings associated with using the clinic for services that would have otherwise been provided by community medical providers Based on the assumption that the cost of services provided by the clinic is less than the cost for the same services from community medical providers
Indirect Costs Avoided	<ul style="list-style-type: none"> Savings from avoided medical services (e.g., specialist visits, ER visits, admissions) due to the clinic: <ul style="list-style-type: none"> Providing enhanced access to care Providing a higher standard of care (i.e., higher quality) Is a measure of medical services that did not happen as a result of members using the clinic
Productivity Savings	<ul style="list-style-type: none"> Savings from reduced time away from work due to enhanced access to care (including less waiting time either for an appointment or for the provider to see patients once at the clinic) Also savings from avoided absenteeism and presenteeism due to otherwise untreated conditions

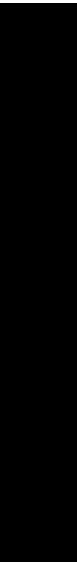
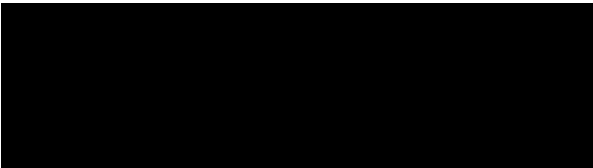
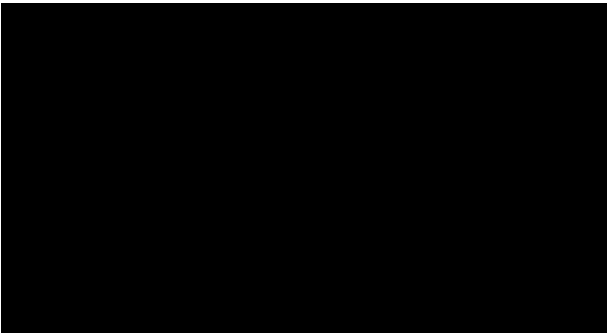
- Savings estimates are highly dependent on the vendors' assumptions
- Responses on the duration of time necessary for a clinic to produce an ROI also varied
 - Range: "within the first year" to "3-5 years"
 - Shorter duration of time to produce ROI usually correlated with more aggressive savings estimates
 - ROI is also highly dependent on efficiency of the clinic staffing model and total build-out cost
- Five vendors provided savings estimates, and all caveated that further analysis of detailed claims data would be necessary to produce a firm quote
 - 3-year ROI range¹: 0.7x – 3.7x** (net cost of \$1,500,000 to net savings of \$13,000,000)
 - The remaining vendors declined to quote unless more detailed claims data is provided

¹ROI was calculated by WTW using vendor savings estimates to ensure a consistent methodology was used across all vendors; ROI excludes build-out cost estimates.

Considerations for the State

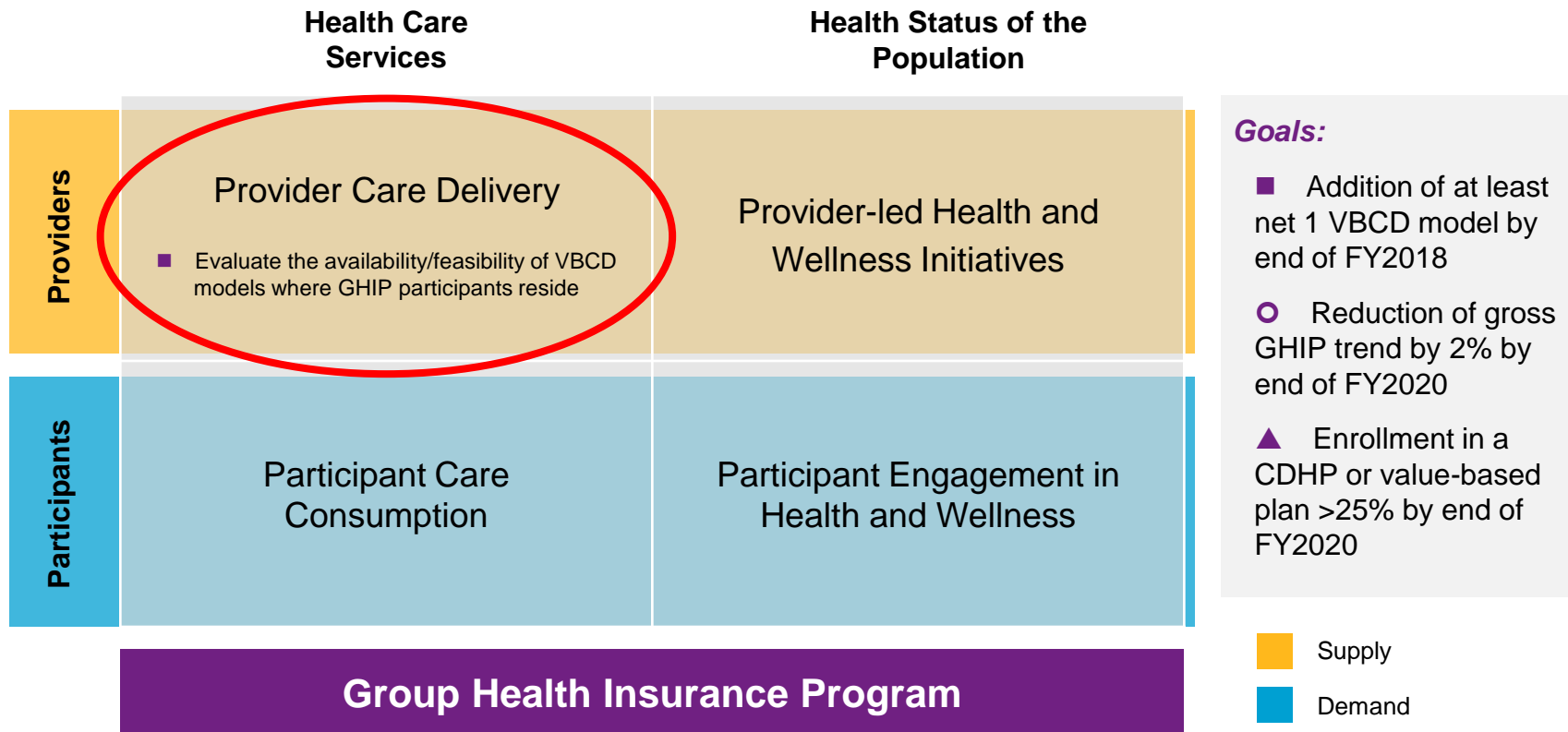
- The SEBC's decision on how to proceed with the evaluation of employer-sponsored clinic vendors will rest on several factors, including:
 - Whether a reasonable level of employee engagement can be expected
 - Determination of the initial location(s) for the potential health center
 - Determination of costs associated with location of initial location(s)
 - The requirement to provide up-front funding for space build-out and ongoing operating costs considering this would be a State budget item for infrastructure
 - The Committee's comfort level with the average duration of time required for a health center to produce any return on investment
 - Identifying services the clinic would provide that existing medical providers could provide
 - Identifying alternate arrangements for coverage at equal or less cost
 - Ability to staff clinic, including consideration of drawing from already strained provider/medical staff resources

Appendix



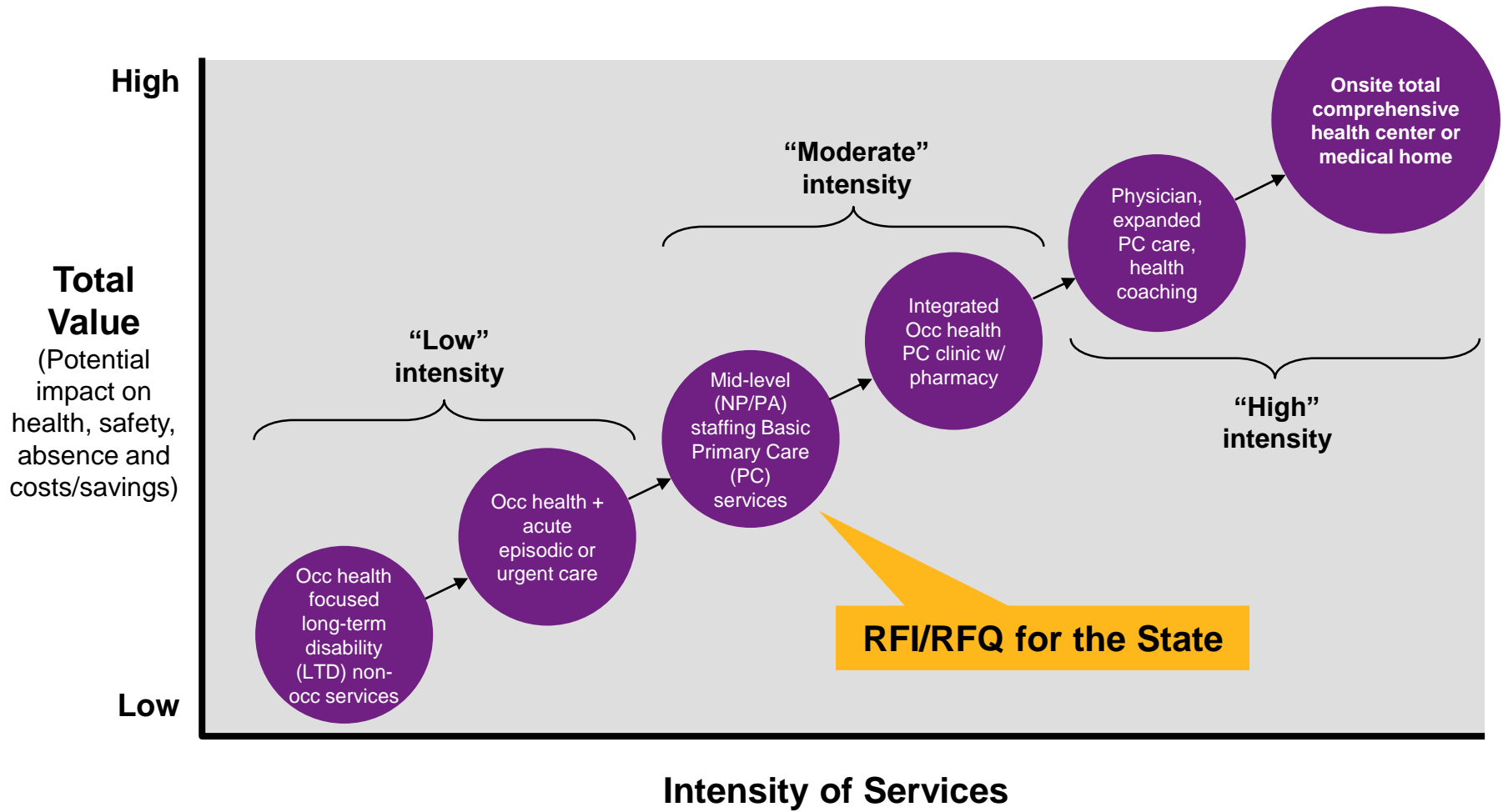
Employer-sponsored clinics within the GHIP Strategic Framework

Drives “supply side” change in health care service delivery



Employer-sponsored health center models

Evolutionary pathway



Key health center parameters outlined in the RFI/RFQ

- For the purpose of administering the RFI/RFQ, preliminary parameters regarding certain key considerations for an employer-sponsored health center were outlined as follows
- However, the RFI/RFQ clearly stated that the State intends to use the RFI/RFQ process to refine its position and preferences related to employer-sponsored health centers
 - To the extent that vendors responding to the RFI/RFQ had suggested approaches that vary from any of the parameters outlined below, those vendors were encouraged to provide that feedback as part of their response

Consideration	Parameters established in RFI/RFQ
Eligibility: who can use the health center? Has implications for: <ul style="list-style-type: none"> ▪ Scope of services – e.g., If dependents eligible, will health center need to provide childhood vaccinations? ▪ Staffing – e.g., any need for specialists, such as an OB/GYN, geriatric specialist, or pediatrician? ▪ Logistics – e.g., what hours of operation are necessary to ensure adequate access for everyone eligible? ▪ Cost sharing – e.g., if employees who opted out of GHIP coverage are eligible, will they pay for care, and if so, how much? 	<ul style="list-style-type: none"> ▪ Initially, only State active full-time and part-time employees enrolled in medical coverage would be eligible ▪ Represents about 36,000 people ▪ Future consideration: expanding eligibility to covered dependents (i.e., spouses and children) which would increase the total to approximately 90,000 people
Scope of services: can be defined as narrowly as first aid or as broadly as comprehensive primary care <ul style="list-style-type: none"> ▪ Ancillary services such as labs, physical therapy, pharmacy, etc. can be included, but often come with additional costs ▪ Some health centers provide occupational health care 	<ul style="list-style-type: none"> ▪ Outlined on the next page

Key health center parameters outlined in the RFI/RFQ

Scope of services

- Acute/Urgent care
- Preventive care
- Primary care for conditions that will resolve in 1-3 visits to the health center, i.e., not for ongoing chronic care management. The SBO prefers that the health center would make referrals to high quality community PCPs for ongoing management of chronic conditions.
- Routine women's health care / GYN services, not to include obstetrics
- Lab services (CLIA-waived¹ only, but will draw blood and collect specimens for non CLIA-waived tests and will send to national in-network lab of choice, i.e., Quest or LabCorp)
- Biometric screening
- Nutrition counseling
- Referrals to high quality, in-network providers
- Referrals to care management and EAP programs

In addition to the above, vendors were asked to comment on their capabilities, partnerships and experience in offering:

- Behavioral health counseling
- Pharmacy services

Note: RFI/RFQ indicated that while the State is not interested in offering pharmacy services at the health center initially, it is interested in understanding any opportunities that exist to add pharmacy services at some point in the future, and would be open to vendor suggestions on the scope of pharmacy services that could be added over time (e.g., could be limited to short courses of commonly prescribed acute care medications).

¹The Centers for Medicare & Medicaid Services (CMS) regulate all laboratory testing (except research) performed on humans in the U.S. through the Clinical Laboratory Improvement Amendments (CLIA). Lab testing can be categorized as "waived" from regulatory oversight if certain requirements are met, i.e., waived test must be simple and have a low risk of an erroneous result. The Food and Drug Administration (FDA) determines which tests are eligible for waived status.

Key health center parameters outlined in the RFI/RFQ

Consideration	Parameters established in RFI/RFQ
Location and hours of operation <ul style="list-style-type: none"> Can influence health center utilization rates Should be placed in a location with sufficient “critical mass” of eligible members to produce a positive business case 	<ul style="list-style-type: none"> A specific location for the health center was not identified Vendors were asked to provide location recommendations based on the vendors’ knowledge of the provider marketplace in Delaware and sites where the State of Delaware employees are located Assume one health center location initially, potential to grow over time Hours of operation should provide access for all eligible employees, including those who complete their normal working hours later at night or in the early morning <ul style="list-style-type: none"> Includes consideration for employees of school districts and higher education institutions who cannot leave the workplace during the day, as well as certain Executive Branch agencies with employees working shifts in 24/7 facilities
Cost sharing <ul style="list-style-type: none"> Can influence health center utilization rates Required for HDHP/HSA plans (future consideration) 	<ul style="list-style-type: none"> Employees would have access with no out-of-pocket cost Vendors were asked to describe the member cost sharing models that vendors have found to be most effective in driving engagement and utilization of a health center
Staffing <ul style="list-style-type: none"> One of the largest components of health center operating cost Must balance providing sufficient clinical oversight of operations while not eroding savings 	<ul style="list-style-type: none"> Outlined on the next page

Key health center parameters outlined in the RFI/RFQ

Staffing

- RFI/RFQ requested quotes for delivering the scope of services as outlined under a proscribed model, as well as the vendor's proposed staffing model
- Three quotes were requested based on the following staffing models:
 - One staffed primarily by medical doctors (MD) (details below)
 - One staffed primarily by nurse practitioners / physician assistants (NP / PA) (details below)
 - A third quote based on an alternate staffing model at the vendor's discretion
 - Request: vendor suggested staffing that would deliver the scope of services outlined in the RFI/RFQ with the highest clinical quality in the most cost effective manner

Health Center Staff	Year 1 Staffing		Year 3 Staffing	
	MD Model	NP/PA Model	MD Model	NP/PA Model
Medical Director or Lead Physician	1.0	0.1	1.0	0.2
Staff Physician	0.0	0.0	0.5	0.0
Nurse Practitioner (NP) or Physician Assistant (PA)	1.0	2.0	1.5	3.0
Nurse (RN)	1.0	1.0	1.5	1.5
Medical Assistant (MA)	1.5	1.5	2.5	2.5
Reception / Admin	1.0	1.0	1.5	1.5
Wellness Coach*	0.0	0.0	1.0	1.0
Total FTEs	5.5	5.6	9.5	9.7